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SUSPENSE 15 MAR 88
Date

Action Officer: [redacted] STAT

Remarks: Views related to OMB & State by WASH FAX on 15 March [redacted] STAT

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OCA FILE

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

SPECIAL

March 10, 1988

O/CONGRESSIONAL AFFAIRS
88 - 0735

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer -

Export Import Bank (Pigman 566-8967)	36
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Agency for International Development (Lester 647-8404)	
Central Intelligence Agency	

SUBJECT: State draft testimony on H.R. 3654 "Antiterrorism and Arms Export Amendments Act of 1987" for a March 17th hearing.

NOTE: If necessary a meeting may be called for TUESDAY afternoon, MARCH 15TH.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

A response to this request for your views is needed no later than **10:00 A.M., TUESDAY, MARCH 15, 1988.**

Questions should be referred to Sue Thau/Annette Rooney (395-7300), the legislative analyst in this office.

Ronald K. Peterson

RONALD K. PETERSON FOR
Assistant Director for
Legislative Reference

Enclosures

cc: J. Eisenhour
E. Hays
R. Neely

SPECIAL

United States Department of State

Washington, D.C. 20520

MAR 14 1988

Dear Mr. Miller:

I hereby request OMB clearance of the enclosed statements to be given by Assistant Secretary Allen Holmes and Ambassador L. Paul Bremer, III at a March 17 hearing of three subcommittees of the House Foreign Affairs Committee on H.R. 3651, the "Antiterrorism and Arms Export Amendments Act of 1987". The statements are substantively consistent with the outcome of the March 9 OMB-chaired meeting on H.R. 3651 -- namely, that the Administration opposes enactment of the bill as drafted. The only divergence from the understandings reached at the meeting is procedural.

At that time we anticipated a single statement by a State witness. Other representatives from State, Commerce, Defense, and CIA were to be available to answer questions. Since then we have learned that the subcommittees are interested in receiving a brief overview of terrorism trends from Ambassador Bremer. Since Ambassador Bremer is responsible for counterterrorism policy within the Department, it seems logical that he should also comment on those portions of H.R. 3651 that are more closely related to his area of responsibility than Assistant Secretary Holmes. These comments follow the terrorism overview in his statement.

HFAC committee staff have informed us that they have given up the idea of a markup session immediately following the hearing, and have scheduled a markup session for March 30. The staff also indicated that the bill's sponsors are willing, following the hearing, to try to reach an accommodation with the Administration on this bill, and to modify it to meet a number of our known objections. We do not know what they have in mind, or whether Committee flexibility will be sufficient to produce a bill that can merit our support or acquiescence. In this regard, and following a clear concluding statement of opposition to H.R. 3651 as drafted, the draft testimony of Assistant Secretary Holmes indicates a willingness to work with the Committee to determine whether it is possible to formulate legislation that

The Honorable
James C. Miller, III, Director,
Office of Management and Budget.

will further our antiterrorist objectives without the objectionable aspects of H.R. 3651. Any "positive" results that may emerge from such discussions following the hearing would, of course, be submitted for interagency clearance.

We request prompt clearance in order to meet the committee request for copies of the statements on Wednesday, March 16.

Sincerely,

J. Edward Fox

J. Edward Fox
Assistant Secretary
Legislative Affairs

Drafter: PM:RMantel
WANG #1639T
11 March 1988

Clearances: L/PM:RKleinman
S/CT:MKraft

STATEMENT BY H. ALLEN HOLMES

ASSISTANT SECRETARY OF STATE FOR POLITICO-MILITARY AFFAIRS

BEFORE THREE SUBCOMMITTEES OF THE

HOUSE FOREIGN AFFAIRS COMMITTEES

MARCH 17, 1988

Mr. Chairman, I am pleased to appear before the three Subcommittees today to discuss H.R 3651, the "Antiterrorism and Arms Export Amendments Act of 1987." The stated purpose of this bill is "to prohibit exports of military equipment to countries supporting international terrorism, and for other purposes". The Administration fully supports strengthening our fight against terrorism generally and, more specifically, state-supported terrorism. In our view, however, this bill is primarily an arms export control and economic sanctions bill; its counterterrorism elements are rather limited. We have serious objections to H.R. 3651 as drafted, and believe that the bill will create more problems than it will solve.

I will first address the arms export portions of the bill. The Administration fails to see the necessity to impose additional constraints on and congressional oversight of arms exports. We understand that the bill is motivated, in part, by a desire to "close loopholes" in the aftermath of the Iran-Contra investigation. In fact, the findings of the Iran-Contra investigation concluded that the existing laws and control measures were adequate, if followed, in the regulation of arms exports. The congressional select committees concluded with respect to that investigation "that the Iran-Contra Affair resulted from the failure of individuals to observe the law, not from deficiencies in existing law or in our system of governance."

In our view, H.R. 3651 is an overreaction to the actions of individuals who may have circumvented existing statutory authorities. None of the actions in the Iran-Contra affair were, to the best of our knowledge, justified in terms of arms export authorities, or in ambiguities in such authorities. The provisions of H.R. 3651 dealing with the AECA, had they been law at the time of Iran-Contra, would not have prevented actions taken, rightly or wrongly, pursuant to unrelated authorities. Amending or restricting existing AECA authorities would not necessarily deter this type of behavior in the future. Instead, they would cripple the Executive Branch's mechanisms to provide arms exports and security assistance within existing law in a timely and rational manner.

A primary Administration concern is the new definition in H.R. 3651 of a "U.S. person", i.e. which individuals or groups would be subject to U.S. regulation and criminal prosecution under the law. The bill proposes to define "United States person" as "any United States resident or national (other than an individual resident outside the United States and employed by other than a United States person), any domestic concern (including any permanent domestic establishment of any foreign concern) and any foreign subsidiary or affiliate (includng any permanent foreign establishment) of any domestic concern which is controlled in fact by such domestic concern, as determined under regulations of the President."

The disclaimer "(other than an individual resident outside the United States and employed by other than a United States person)" actually would place outside of our jurisdiction some persons who heretofore could have been prosecuted for the unauthorized transfer of U.S. origin munitions to a third country.

On the other hand, we believe that the inclusion of "any foreign subsidiary or affiliate (including any permanent foreign establishment) of any domestic concern which is controlled in fact by such domestic concern" will cause friends and allies serious concerns over infringement of sovereign authorities. For example, its effect would be to impose U.S. criminal jurisdiction on foreign based corporations, acting in accordance with the laws of their host country, solely on the happenstance that on a given date their publicly traded shares are held preponderantly by U.S. nationals. This definition would place the United States in conflict with even our closest allies, who find it unreasonable for the U.S. to attempt to control corporations chartered and operating within their national jurisdictions -- and who may find themselves operating within two potentially contradictory sets of laws and regulations. As such, it could undercut our common counterterrorist goals.

Experience has taught us that the most effective way to achieve the support of our allies and friends in pursuit of a

common objective is to approach them directly and convince them that the particular objective is in our common interest. Attempts to apply U.S. law extraterritorially usually produce a vociferous negative reaction, which transforms the discussion from one of seeking a solution to a common problem to an intra-allied jurisdictional dispute.

Secondly, we have serious problems with the the new definition of "munitions item", which includes for the first time non-U.S. origin items never passing through U.S. territory. This has wide-ranging regulatory and budgetary implications. To implement this new definition, the Executive Branch would be obliged to monitor the export of exclusively foreign made items from the jurisdiction of a foreign sovereign nation to another. The resulting information would have to be taken into account in the State Department's licensing process. Other nations would chafe at this interference in their commercial affairs, even if it were enforceable and budgetarily feasible. On the fiscal side, the impact of establishing a new system to manage these functions would be substantial, requiring additional resources for the Office of Munitions Control.

Thirdly, the proposed amendments to Section 40(a)(1)(C) and (D) of the Arms Export Control Act, which would require that third party transfer consents be withdrawn for any country on the

list, could give us major monitoring and foreign policy problems. Moreover, the concept is flawed and inconsistent with other goals underlying the bill. Under our current implementation of the Arms Export Control Act, the consent to transfer carries with it all the controls and conditions imposed by the USG and remains in effect indefinitely, even beyond actual physical transfer. Nullification of transfer consents actually would eliminate U.S. controls, not increase them.

We assume that intent of the drafters of this section is that transfer consent be denied where physical transfer has not yet occurred. Major redrafting would be necessary to achieve this; but even modifications on this point would remain objectionable. Where U.S.-approved deals were already agreed and consummated, even if deliveries have not been completed, withdrawal of consent would force governments of major friends and allies to choose between flaunting U.S. law or violating contractual obligations, incurring direct financial penalties, and foregoing financial benefits. This would simply increase conflicts over counterterrorism policy.

Section 6 of the bill would require 15-day advance notice to Congress of intent to consent to any third country transfer, where notifications are not already required under AECA 36(d) or AECA 3(d)(3). This eliminates the dollar thresholds of $14 and $50 million currently in effect. The broad scope of these

provisions does not seem to be directly relevant to the primary concern of the bill, that is, to tighten controls on the possible supply of military equipment to terrorist countries. These provisions would create burdensome new administrative procedures, both for the Executive Branch and Congress, and do little, if anything, to strengthen our antiterrorist posture. They would require notifications and waiting periods for the most insignificant transactions to any country in the world, and for transfers to clearly bona fide recipients, e.g., donations of obsolete WWII relics to museums and sales or gifts of equipment from one NATO ally to another.

Existing notification requirements already provide Congress with the opportunity to exercise oversight over relatively large scale transfers with a view to the broad scope of U.S. interests and policy concerns. Moreover, the AECA prohibits use of its transfer authorities to consent to a transfer of any size to a country to which a direct U.S. transfer would not be made, including to those countries listed as supporters of international terrorism. The prohibitions on "facilitating" transfers and the "directly or indirectly" language in the proposed bill do little, if anything, to extend this existing prohibition. Therefore, the effect of the proposed Section 6 would be to require notifications and attendant delays in the case of nonprohibited, nonsuspect and often trivial third country

transactions. Similar transfers made directly by the United States Government or United States firms under munitions control licenses would not be notifiable.

Let me now turn to those aspects of the bill relating to export administration. The proposed changes to the licensing and notification procedures of the Export Administration Act would lead to (1) significantly increased paperwork for both the private and public sectors, (2) increased administrative costs and (3) major export losses for U.S. manufacturers. The Administration has supported, and will continue to support, export controls on terrorist countries if those controls can be tailored to each particular situation to ensure maximum effectiveness. Merely to cut off exports of wide categories of items available openly on world markets without regard to the specifics of each country penalizes U.S. business without assuring that the target country will suffer any meaningful impact. And it clearly results in no meaningful.

The elimination of any threshold amount for notification appears to address a non-issue. The law was recently amended to cut the threshold amount from $7 million to $1 million. Further reduction appears wholly unnecessary, particularly in light of the fact that we have total trade embargos with three of the six countries presently on the "list." In any event, to eliminate

the threshold entirely and force notification of potentially trivial exports seems unreasonable. We would recommend that at least a reasonable threshold be maintained.

Finally, the bill requires validated licenses for the export of goods or technology to countries determined to be supporting international terrorism, and then mandates a general policy denial for such validated licenses. This would make it virtually impossible to operate within COCOM under this bill since it is not inconceivable that some of our major allies could be caught by the standards established or implied by the bill. The tight export sanctions that would be applied to "supporters" of terrorism are far more likely to harm U.S. business that any known or suspected terrorists. Accordingly, the policy of denial should be deleted from the bill, and the qualification of "significantly" retained in current law for defining exports that aid military potential of a designated country and would be prohibited.

Sections 7 and 8 of the draft bill would effect major changes in how and what the Administration reports to the Congress regarding extremely sensitive intelligence activities. The additional reporting requirements could also encumber our security assistance procedures which govern overt programs. The Administration's major objection to Section 7 is that it would require reporting to the foreign affairs committees information

that is largely duplicatory of information already provided to the intelligence committees of the the Congress under Sections 501 and 503 of the National Security Act. This runs counter to the understanding between the Executive and Legislative branches that the detailed reporting of intelligence activities be generally confined to the intelligence committees.

The Administration also opposes Section 8 as unnecessary in that in duplicates exisiting requirements to report to the intelligence committees on covert arms transfers. Also, inclusion of a reporting requirement for intelligence activities directly in the AECA, supported at least by criminal penalties, suggests that such transfers are a part of the AECA framework when, in fact, they are not. The whole subject of reporting on arms transfers is currently being discussed in connection with the various intelligence oversight bills now pending before the Congress. Rather than attempt to fashion a new reporting requirement in the AECA, the Administration believes the question should await the outcome of legislative action on those bills.

In conclusion, Mr. Chairman, let me reiterate my first point -- namely, that we support effective antiterrorism legislation that will provide the tools with which to formulate a more effective antiterrorist policy. Unfortunately, H.R. 3651, as drafted, does not meet this test. It also has extremely onerous

arms transfer and intelligence provisions that have little, if any, relationship to the terrorist issue. Thus we oppose enactment of the bill.

We stand ready, however, to cooperate with the Committee in an effort to formulate legislation that will further our antiterrorist objectives and enhance rather than potentially detract from our ability to cooperate with our allies and friends in this necessarily multinational endeavor. Such legislation must ensure that the chief object of any sanctions are terrorists and their supporters and not U.S business as is the case in H.R. 3651.

Ambassador Bremer and my colleagues -- Mr. from the Commerce Department, Mr. from the Defense Department, and Ms. from the Central Intelligence Agency -- are ready to assist me in responding to your questions.

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TESTIMONY BY L. PAUL BREMER, III

AMBASSADOR AT LARGE FOR COUNTERTERRORISM

BEFORE THREE HOUSE FOREIGN AFFAIRS SUBCOMMITTEES

ON H.R. 3651

MARCH 17, 1988

Mr. Chairman:

I appreciate the opportunity to testify today on HR 3651 and international terrorism.

Other witnesses are testifying on the Arms Export Control and related aspects of the bill, therefore I wish to focus on the specifically anti-terrorism policy-related provisions. To do so in the proper context, however, I believe it would be useful to first provide the Committee with a brief overview of recent developments in the fight against international terrorism -- especially state-supported terrorism.

I will summarize my remarks and -- with your permission -- would like to have the full statement inserted in the record.

OVERVIEW OF 1987

Over the past two years, the international fight against international terrorism has made considerable progress. The number of incidents has decreased and state sponsorship of terrorism is down. Fewer Americans have been killed. More terrorists have been arrested and convicted by courts from Tokyo to Paris.

According to our latest statistics on terrorism in 1987, the number of anti-U.S. attacks worldwide decreased 25%, and terrorism in Latin America dropped 32%. In Europe, terrorism is steadily declining; it has fallen 31% in the past two years. Terrorism in Europe of Middle East origin is down 41%. There were only two terrorist hijackings in 1986, and only one last year, which is the lowest number we have recorded since we began keeping tallies 20 years ago.

In spite of these successes, the overall number of terrorist attacks rose, making 1987 the worst year ever. It was also the bloodiest year; more persons were wounded in terrorist attacks than ever before -- well over 2000 -- and over 600 persons died. These increases can be explained in one word: Afghanistan.

AFGHANISTAN

The most appalling feature of terrorism in 1987 was the sharp escalation of the terrorist bombing campaign in Pakistan, much of it the work of the Afghan secret police. The 128 bombings, which destroyed marketplaces and train stations, were calculated to kill and injure as many people as possible. Fully one third of all deaths from terrorism last year and one half of all wounded were caused by this bombing campaign.

Some would-be bombers have been arrested by Pakistani police and have provided startling testimony. For example, the bombers were promised payment based on the number of casualties inflicted and the number of press reports the attack generated. Had it not been for this brutal terrorist bombing campaign, the number of worldwide terrorist attacks would have declined significantly. And the percentage of attacks attributable to state sponsors would have dropped from 23% to 9%.

STATE-SUPPORTED TERRORISM

The issue of state-sponsored terrorism is of major concern to this committee, and I'd like to give you a rundown on that situation. During the past three years, we attribute 91 terrorist attacks to Iran, 40 to Syria, and 39 to Libya. Most of these attacks attributed to these last three countries were against dissidents or part of regional disputes. The number of attacks actually carried out by these countries -- as opposed to those which may have been planned -- has dropped sharply since the spring of 1986.

Here is an overview:

SYRIA

The economic and other measures imposed on Syria by the U.S. and European countries have had some effect. Last summer, Syria expelled all known Abu Nidal terrorists from its borders. In addition, we have not detected involvement by the Syrian Government in any act of terrorism for the past 18 months. We are pleased at this progress, although we still have strong concerns about Syrian support for terrorism. Syria remains on our list of state sponsors of terrorism because it harbors other terrorist groups in Damascus and allows terrorist training camps to operate in Lebanon's Bekka Valley, which is under Syrian control.

LIBYA

Col. Qadhafi still tries to re-shape the world through terrorism, but he is having a harder time doing so. Libyan sponsored terrorist actions last year were down sharply when compared with 1986. That year the U.S. bombed terrorist facilities in Tripoli, and Europe took a series of tough measures against Libya. Still, Libyan agents are active throughout the world. In May of last year, Australia closed the Libyan People's Bureau, citing concern over intense "clandestine activity." Libyan dissidents were

targeted in Athens, Rome, and Vienna last year. Switzerland expelled three Libyans last November for planning assassinations. Also in November, the French seized a shipment of arms that originated in Libya and was bound for the PIRA. The 150-tons of weapons was the largest terrorist arms shipment ever intercepted. Just last month the Government of Senegal arrested three Libyans carrying explosives, detonators, firing devices, fuses, weapons, and false passports.

NORTH KOREA

Since January, when evidence was discovered proving North Korea's sponsorship of the destruction of KAL 858, the Government of South Korea, the U.S., and other countries have been active in trying to focus world attention on North Korea. There was a full discussion in the U.N. Security Council, last month and later this month the issue will be discussed at the International Civil Aviation Organization (ICAO) Council meeting in Montreal.

The U.S. has little direct influence over North Korea. In addition to the steps we announced in January in listing North Korea under Sec. 6 (j) of the Export Administration Act as a country which has repeatedly supported acts of international terrorism, North Korea already was subject to a trade boycott under the "Trading with the Enemy Act." We will be continuing our efforts with nations that have ties with the DPRK, including the

Soviet Union and the PRC, to dissuade the DPRK from pursuing terrorism as an instrument of its foreign policy.

COUNTERING STATE SUPPORT

The U.S. effort against North Korea is an example of how we need and use a variety of options to deal with state terrorism. These options include political and diplomatic pressures, bilateral and multilateral, economic, and -- when appropriate -- military.

There are situations in which we have made heavy use of economic sanctions, for example Libya. We took steps against the Qadhafi regime in the 1970's, including the impounding of C-130 aircraft purchased by Libya. Libya was one of the first countries designated under the Export Administration Act of 1979 as a country which repeatedly supported acts of international terrorism. Indeed one of the catalysts for the EAA's Section 6 Anti-terrorism section was Libya's attempts to buy 400 heavy duty trucks from the U.S., ostensibly for moving oil rigs but actually for transporting tanks. In subsequent years, the U.S. continued to use and tighten up its economic pressures against Libya. But the impact was limited because other western countries were reluctant to join in steps against Libya. This reluctance lessened, however, in April 1986, after the discovery of Libyan culpability

in the bombing of a West Berlin disco which killed two American soldiers, a Turkish woman and wounded over 200 persons.

It was only after the U.S. decided it had to take stronger measures including the air strike against Libya, that the European Common Market countries finally joined in economic sanctions, including in their statement a declaration against any new arms sales. The Western European countries also took significant steps in the security area, primarily reducing Libya's operating bases in Western Europe, the so-called Libyan Peoples' Bureaus, by expelling more than 100 so-called diplomats and businessmen.

These steps, along with the shock of the military strike were important in helping make Quadaffi realize he could not conduct terrorism on a cost-free basis.

In the case of Syria in 1986, the political and diplomatic pressures, including breaking of diplomatic relations by the U.K. and the withdrawal of ambassadors by the U.S. and some E.C. countries, were a major element in the effort to deter Syria from future terrorism.

In many cases, the trade ties between the Western world and countries supporting terrorism already are limited. For example, most of North Korea's and Syria's technology comes from the Soviet bloc, thus it is more difficult for us to effectively bring to bear such economic pressures as restricting sales of equipment and spare parts.

In short, the circumstances vary from country to country -- what might be effective with one is not necessarily effective with another. The goal of our policy is to be effective. To be effective we need to preserve the flexibility to pick the best mixture of options for the particular circumstances and to have the maximum possible effect. We also need the option of being able to employ the sanctions in phases, to ratchet them upward or downward as circumstances dictate rather than shoot all our relatively few arrows at once, leaving nothing in reserve. Existing legislation by and large provides this flexibility.

H.R. 3651

Turning to the anti-terrorism policy provisions of HR 3651, the State Department fully supports the stated purpose of the bill: strengthening our fight against terrorism generally and, more specifically, state-supported terrorism. Our current policy strongly seeks to deter countries from supporting terrorism. It

is important to make clear that countries which repeatedly support international terrorism should not enjoy the benefits of normal relationships or business with others in the international community.

We also seek to focus on the most effective ways to try to deter countries from supporting terrorism. To do this, it is necessary that in the actual implementation of our policy, the Executive Branch be able to target its measures against individual countries and specific situations. After closely examining H.R. 3651 as introduced, we have concluded, however, that it presents a number of serious concerns, and the Administration cannot accept the bill as drafted.

A major feature of the H.R 3651 is the standardization of the criteria for designating whether a country supports international terrorism and thus should be subject to sanctions. These standardized criteria would be incorporated in the Arms Export Control Act, the Export Administration Act's Section 6(j), and the Foreign Assistance Act.

H.R. 3651's two criteria for identifying terrorism-supporting countries are

> ". . . any country whose government the Secretary of State determines --
>
> (1) grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism; or
>
> (2) has repeatedly provided support for acts of international terrorism.

The first standard, "sanctuary from prosecution", originated in the Foreign Assistance Act and the second, "repeatedly provided support for acts of international terrorism", comes from the Export Administration Act. We support the drafters' desire to consolidate and standardize the criteria for determining whether a country is a state-supporter of terrorism. We have problems however with the combined consolidated standard for designating a country as supporter of terrorism and the broader mandatory nature of the sanctions that would apply.

By establishing the consolidated criteria the bill proposes for putting a country on the terrorism list and then simultaneously making mandatory the major sanctions which flow from that action, the bill (1) could make it more difficult for us to obtain a consensus agreement in the government to put a country on the list in the first place because of concerns about all the consequences which might result, and (b) would restrict flexibility in fashioning the best mix of options and sanctions to deal with the particular terrorist-supporting state.

A basic problem lies in what appears to be a simple lifting of the "sanctuary from prosecution" language which was first added to the Foreign Assistance Act in the mid-1970's. It is problematical if such a cutoff provision in existing law applies directly to two or three sanctions such as foreign assistance or arms sales. It is unacceptable, however, if it directly or indirectly triggers an additional tier of sanctions which might be better held in reserve or used in a more targeted mixture of pressures against terrorist-supporting states.

I would also note that the standard of sanctuary from prosecution has never

been invoked by the U.S. Government. Its meaning is somewhat vague. For example does the phrase "sanctuary from prosecution" mean there has to be a legal proceeding such as an arrest warrant pending against the alleged terrorist? It is also not clear whether this applies to sanctuary from U.S. prosecution or could also apply to sanctuary from another country's prosecution.

We believe that the vagueness presents significant problems. Therefore we would prefer that the existing standard "repeatedly provided support for acts of international terrorism" be maintained. By using this existing Sec. 6 (j) standard we can, as we already do in making a determination, take into consideration the support for terrorism which is entailed in cases of providing sanctuary.

Therefore, Mr. Chairman, we believe this important aspect of the bill as drafted is counterproductive. We would be glad to work with the Committee to define a single criterion for all relevant legislation by which the Secretary of State would designate a country as a suppporter of terrorism and against which a selection of measures could be applied at the discretion of the Executive Branch.

RESCISSION

The bill's proposed provision for removing a country from the terrorism list (sec. 4 (5)(A.) also is unacceptable and as drafted.

The bill requires the President to notify Congress 90 days before the proposed rescission that the government concerned has not provided any support for international terrorism or granted sanctuary during the preceding six-month period and that the government has given assurances that it will not support acts of international terrorism in the future.

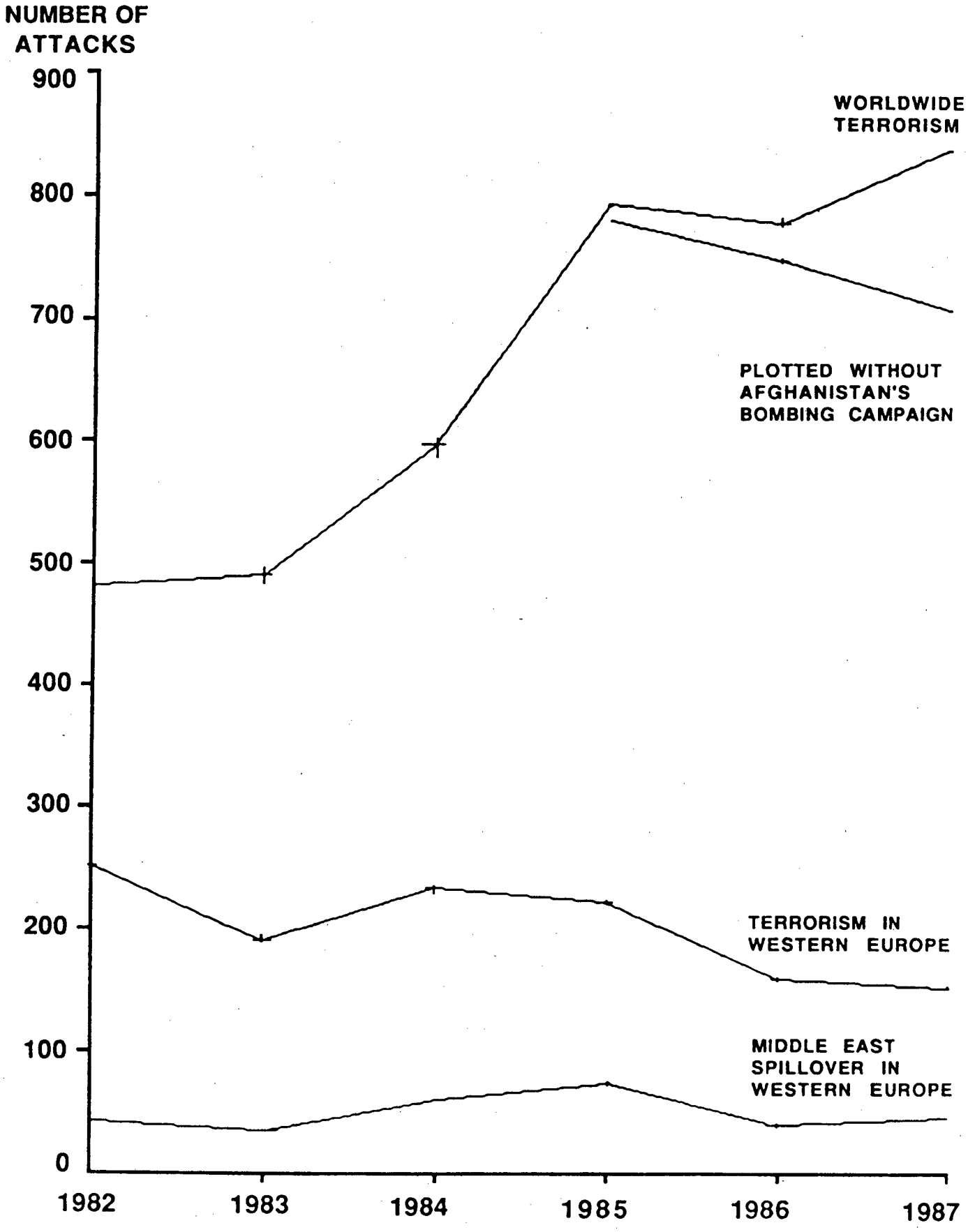
This means it would take up to nine months to remove a country off the terrorism list. In addition, certification as to whether the country has "granted sanctuary" raises the problems mentioned earlier as to the vagueness of this standard. We understand the history of the previous legislation requiring a "probation" period before a government could be taken off the list in normal situations. But what if the government changes and the U.S. wants to provide heavy duty trucks or other dual use equipment in humanitarian or emergency assistance? The bill suggests that the government of the designated country might have to be in office for the full six-month period, plus the three months of the Congressional notification period, before assistance

could be provided. Thus, the proposed requirement might hinder our ability to assist a new government which replaces that which had supported terrorism.

There also are major problems regarding the licensing procedures and criteria for the Export Administration Act. Mr. Holmes, the Assistant Secretary for Political and Military Affairs and the Commerce Department will address those issues in more detail.

In summation Mr. Chairman, we agree on the underlying goals of the anti-terrorism provisions of the bill. However as drafted it presents major problems regarding the most effective implementation of the anti-terrorism policy. We appreciate this Committee's strong support of and, interest in the anti-terrorism effort and we would be prepared to continue to work with you on developing a more effective way of furthering our mutual anti-terrorism objectives. Thank you.

INTERNATIONAL TERRORISM



Drafted:
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Doc 0018A 3/11/88

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